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BUSINESS

Glencore Says It Is Cutting Debt Faster Than Expected

Commodities group is aiming to reduce net debt by $10 billion by the end of the next year

Glencore Chief Executive Ivan Glasenberg. The company's share price has fluctuated in recent months among doubt that the company can weather the prolonged slump in commodities prices. *PHOTO: GARETH PHILLIPS FOR THE WALL STREET JOURNAL*

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LONDON— Glencore PLC is cutting its net debt faster than expected and its trading arm is on track to meet earnings expectations this year, the Swiss commodities giant said Wednesday.

The company aims to cut $10 billion in net debt by the end of 2016. Analysts said those plans seem to be running ahead of expectations, with the company on track to reduce net debt from nearly $30 billion to $25 billion by the end of this year, just four months after announcing its reduction plan.

Glencore's share price, which had been falling all year, tumbled almost 30% in one day on Sept. 28 as investors grew concerned that the company couldn't weather a prolonged slump in the price of commodities it mines and trades, such as copper and coal.

The share price has recovered more than 70% since then—it was up 7.5% late Wednesday in London. But stock in the world's third-largest miner by market capitalization has been trading unpredictably on a near daily basis and is still down more than half for the year.

The company has been issuing regular updates on its progress toward cutting its debt. People close to the company said it is actually aiming to reduce more debt than announced in a bid to improve its credit rating, which, while investment grade, is two notches above what is commonly called junk. Such a rating is high for a trading company but low among the world's top miners.

A combination of moves has put Glencore on a faster track for debt reduction: It issued $2.5 billion in new stock, is raising $900 million from a sale of the rights to some of its silver and has made meaningful progress to reduce its working capital, long-term loan advances and capital spending.

"This was as good a denouement to the end of very volatile quarter as one could realistically expect," Barclays analysts said in a note.

The company also suspended two dividend payments valued at $2.4 billion, helping the company repay $2 billion in debt and repurchased $400 million in bonds since the end of September. On Wednesday, the company said it was close to securing a second deal similar to its sale of its silver production as part of its plan to raise $2 billion from asset sales.

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Glencore also sought to reassure investors about its trading division, which became a flash point in recent months as investors fretted that the company could lose its investment-grade status. That could increase the cost of funding the company's commodities trading and eat into profits of a division that drives a large part of its earnings.

Glencore said the trading arm, which the company calls its marketing division, is on track to generate between $2.5 billion and $2.6 billion in adjusted earnings before interest and taxes this year.

"Marketing was stronger over the quarter, with improved contributions from metals and minerals and agricultural products," Glencore said.

Glencore normally doesn't provide a quarterly update about the trading division, which has been dubbed a "black box" by some investors because of its lack of transparency.

The company also said it would reduce its copper output by a further 55,000 metric tons, on top of the 400,000 tons already announced.

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